

## Barbican Insurance Group

Barbican Insurance Group, trading at Lloyd's as Barbican Syndicate 1955, has a stamp capacity for 2012 of £180m across ten lines of business.

In addition to Syndicate 1955 the Group includes a non-Lloyd's Financial Solutions business, underwritten by Barbican Reinsurance Company Limited, based in Guernsey. Barbican Reinsurance Company Ltd provides the Funds at Lloyd's on behalf of Syndicate 1955.

Also based in Guernsey, Barbican Channel Islands is a domestic underwriting business using our capacity in Lloyd's to provide commercial insurance solutions for the Channel Islands marketplace.

Our objective is to continue building our portfolio capacity and our capital structure in order to become a diversified and profitable insurance group with premiums in excess of £200m by the end of 2012.

### The security and reliability of Lloyd's

Barbican trades as Syndicate 1955 at Lloyd's. One of the major benefits of doing business at Lloyd's is its degree of financial security. Stringent solvency controls make sure the market meets the highest standards. Lloyd's structure and inbuilt precautions provide you and your clients with reassuringly high levels of financial protection.

LLOYD'S  
Underwriters



Barbican  
[www.barbicaninsurance.com](http://www.barbicaninsurance.com)

## How the World <sup>Really</sup> Works INSURANCE AT LLOYD'S OF LONDON

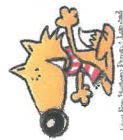


Barbican

Presents Insurance  
IN BLACK & WHITE

LLOYD'S  
Underwriters

Barbican supports the work of the Guy Fox History Project as part of Lloyd's Community Programme



Published by Guy Fox History Project Limited.

LLOYD'S

“When you need stuff to be saved,  
then you can make it insured”

Nine-year-old Nathan was explaining what he and his classmates had learnt about insurance at a book-signing session at Lloyd's City of London HQ to launch this delightfully illustrated children's view of how Lloyd's works.

Part of the “How the world really works” series published by Guy Fox History Project, an educational charity working in London to bring history to life for children of all ages through design workshops and arts education, this is the first book from the Lloyd's Community Programme.

Volunteers from the Programme worked with the Guy Fox History Project at Christchurch Primary School in Tower Hamlets (an inner-city area adjacent to London's financial district) to produce an illustrated children's guide to Lloyd's. The Lloyd's volunteers explored the world of insurance with a group of children through interactive lessons and drawing activities. Children were given a tour of the Lloyd's building, as well as taking part in a question and answer session with staff members about what they do.

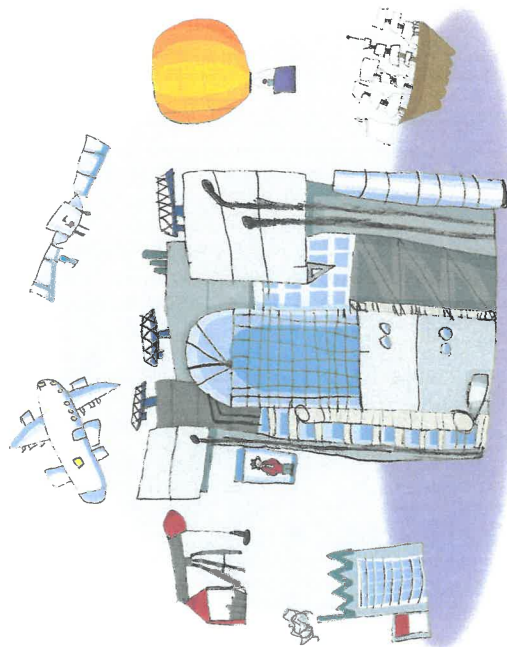
The result was this unique and refreshing guide to our business world.

Presented with the compliments of  
Barbican Insurance Group



# How the World <sup>Really</sup> Works

## INSURANCE AT LLOYD'S OF LONDON

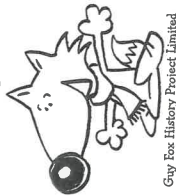


Published by Guy Fox History Project Limited

Illustrated by Students at Christchurch Primary School, Brick Lane, London



## How the World Really Works: Insurance at Lloyd's of London



Guy Fox History Project Limited

FIRST EDITION

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LLOYD'S

**Funded by Lloyd's Community Programme and supported by  
volunteers from the Lloyd's market**

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# Introduction

This book will tell you ALL about Insurance and how it REALLY works.

In Part One, this book will tell you about Insurance: how it started, how it works, and how Insurance Companies make money.



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In Part Two, we will tell you about the unique Insurance Market that is Lloyd's of London: how it started and how it works.

We've also included a section on the amazing Lloyd's Building in London.





## PART ONE: INSURANCE

### The Origins of Insurance

At the end of this book, you'll find a glossary of Insurance Words; it includes all the words marked in **PURPLE** in the book.

A few words to get you started:

**Risk** is the possibility that something bad might happen.

**Loss** is when something happens which leaves you worse off than you were before.

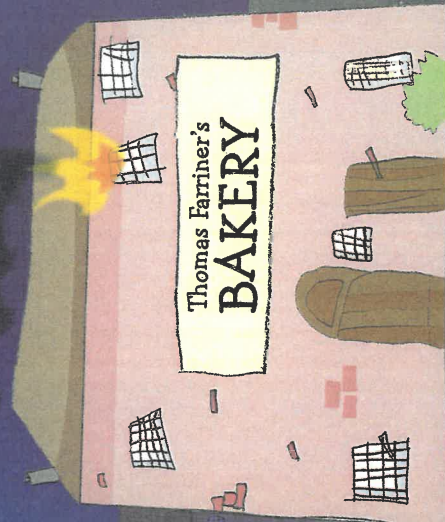
**Insurance** is a service which protects against loss.





The Insurance Industry as we know it today started in London, after a huge fire destroyed the City.

On the night of 2nd September 1666, a fire started in Pudding Lane. Soon it was out of control.





It burned for 5 days. There was no fire brigade, so people watched as the whole City went up in smoke. They called it the 'Great Fire of London'.



Finally, King Charles II sent the army to put it out. But the Great Fire of London had destroyed:

13,500 houses,  
87 churches,  
and 44 livery halls,  
plus  
the Customs House,  
the Royal Exchange and  
the old St. Paul's Cathedral.

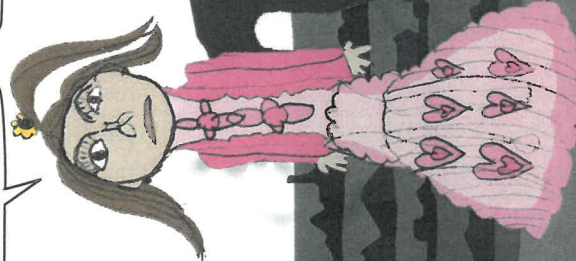




Many people lost **EVERYTHING** they owned.  
They had no protection against loss.

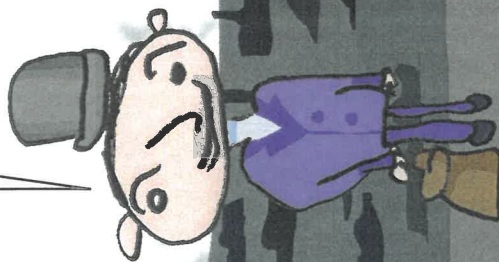
It's all gone....  
What are we going to do?

What if it happens again?



Nicholas Barbon had a good idea. He formed a company to protect buildings against the risk of fire.

If your house catches fire, we'll send 'round a fire brigade.





Plus, Nicholas Barbon offered **compensation** so that **IT WAS** a great idea, which spread to other countries. Insurance became a worldwide industry.

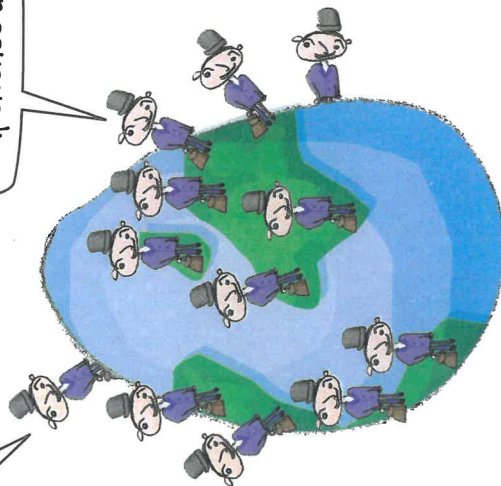
Here's how it works:  
You pay us a **premium**, and if your house burns down, we will give you money to rebuild it.

That's a great idea!



Insurance Companies no longer provide fire brigades like Nicholas Barbon's did.

Instead, we pay money to our customers when they experience a loss.

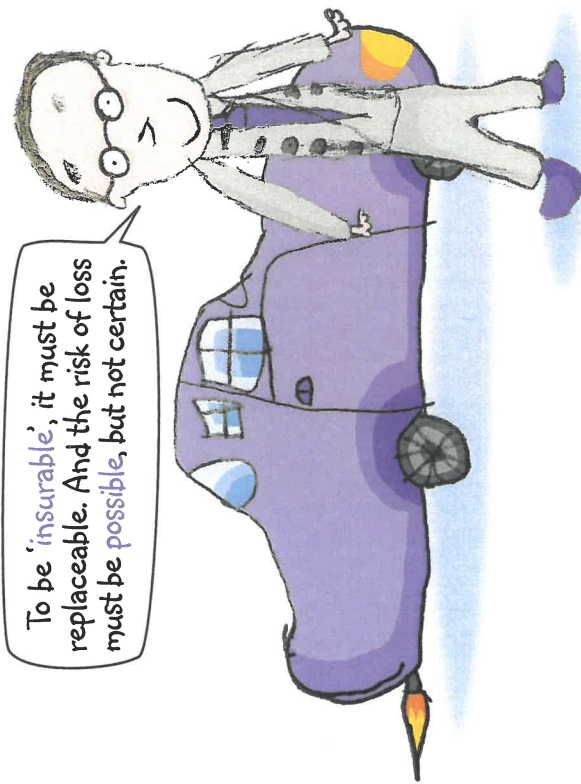


Since then, Insurance has grown into a huge industry!  
People buy insurance to protect themselves in case  
of all sorts of loss.



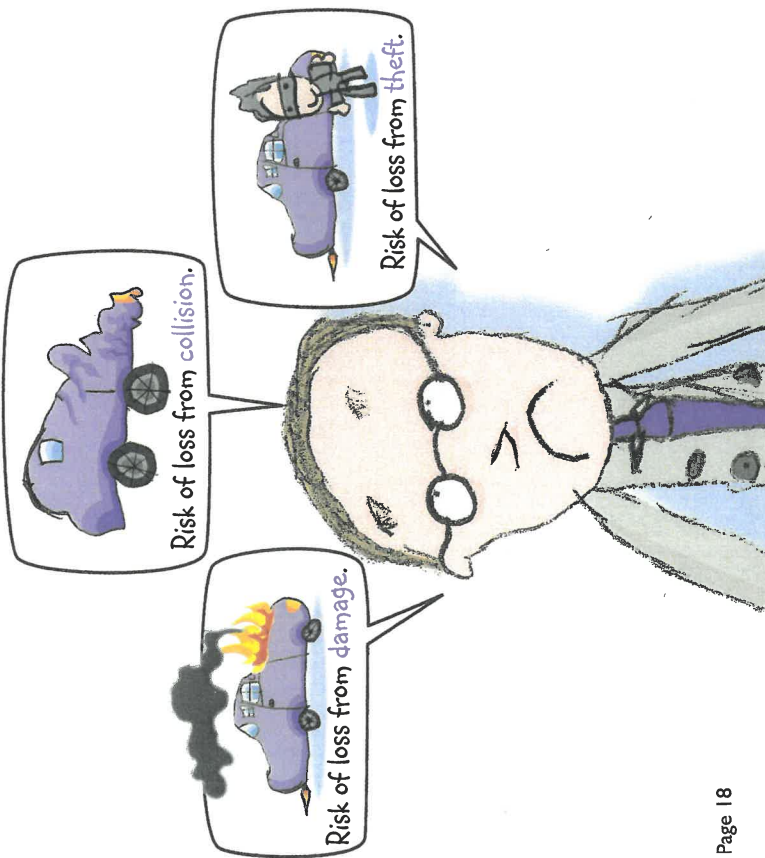
## How Insurance Works

- ① You have something which is at risk of loss.





② Your 'something' is at risk from various kinds of loss:



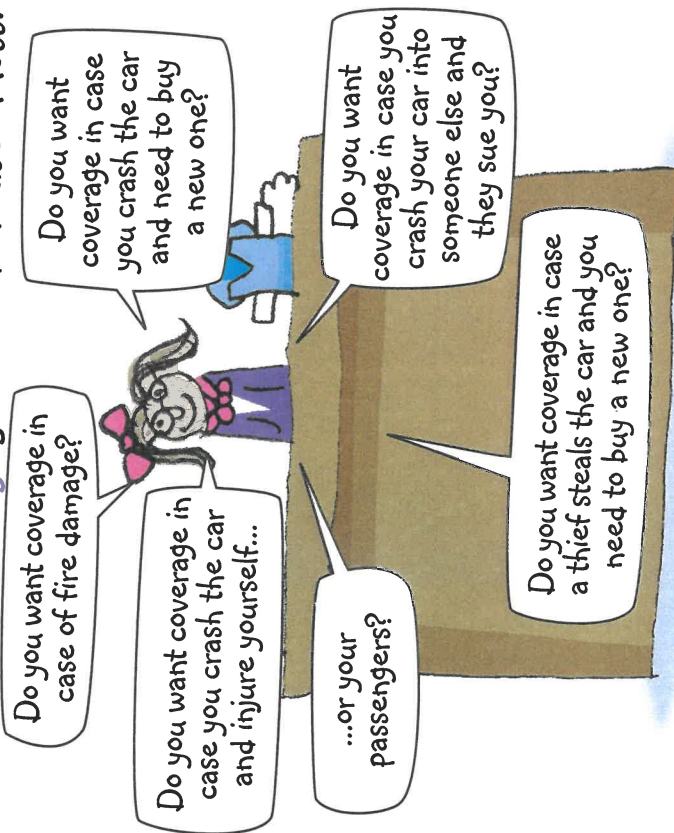
③ So you contact an Insurance Company to see if they'll insure it. They'll ask you lots of questions:



④ The Insurance Company compares your answers to their statistics. This is information about car owners.



⑤ If the Insurance Company accepts your risk, they check which coverage you'll need in case of loss.





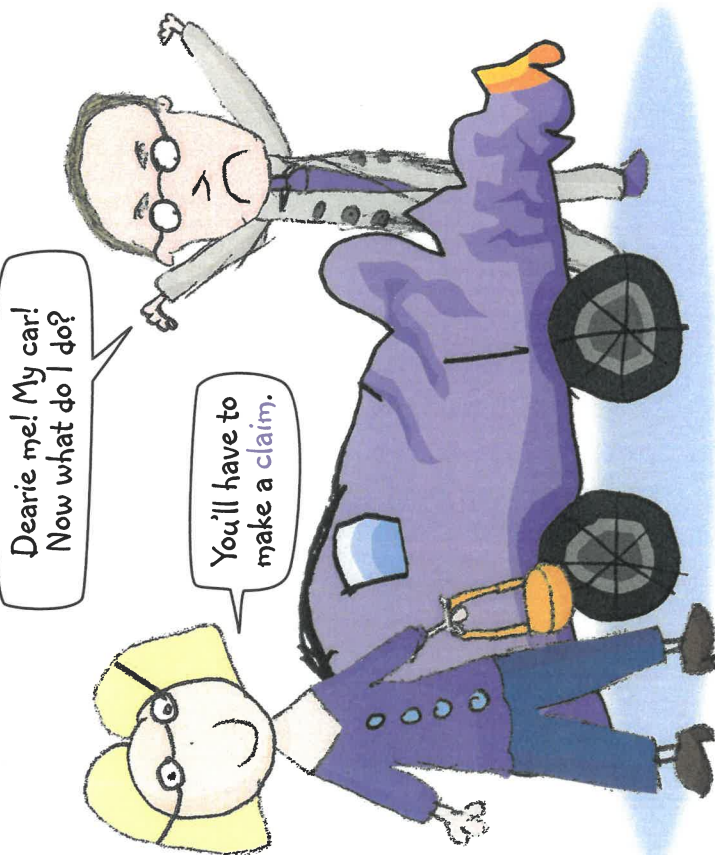
- ⑥ After you decide your coverage, the Insurance Company asks you to pay a premium. They accept the risk and give you an **Insurance Policy**.



- ⑦ That's it! You have peace of mind, knowing that your car is insured for a certain period of time.



But what if something bad does happen?



## Here's What Happens When You Make an Insurance Claim:

You contact your Insurance Company and tell them what happened.

You tell them how much it will cost to fix or replace your car.

They might send around a **claims adjustor** to check your claim.

You may have to pay a bit of money towards the cost of fixing or replacing your car.  
(This is called an **excess**.)

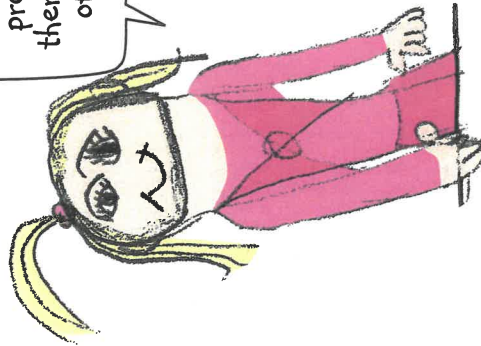
Once they accept your claim, they will pay to fix or replace your car.



## Types of Insurance

LOTS of people have similar risks in life, so Insurance Companies offer popular types of Insurance for them.

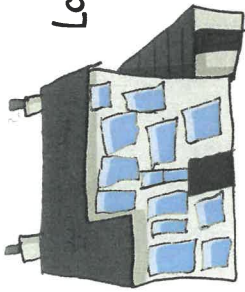
If there is a risk, and enough people need protection against it, there is probably a type of Insurance for it.



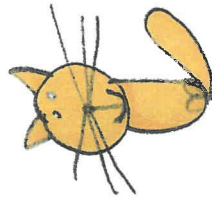
For example, LOTS of people need Travel Insurance to protect them in case of loss while they're on holiday.

My Travel Insurance will pay my hospital bills if I get injured, but it doesn't cover me for sunburn!





Lots of people buy **Home Insurance** for their home (and the things inside) in case of fire or bad weather or theft.



Lots of people buy **Pet Insurance** for their dog or cat (or pet rabbit) in case it gets lost or needs medical treatment.

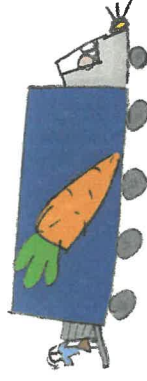


Of course, lots of people buy **Car Insurance** for their cars in case of fire or collision or theft.



Lots of people buy **Bicycle Insurance** for their bicycle in case of damage or theft.

Lots of people buy **Health Insurance** to protect themselves in case they need to pay big medical bills.

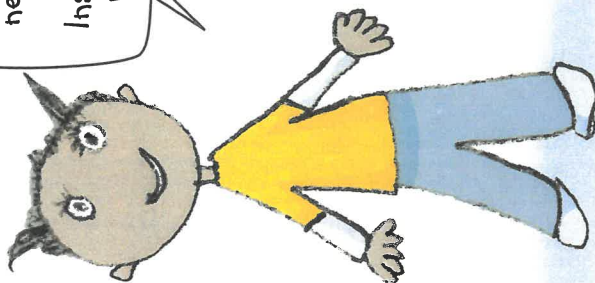


Lots of people buy **Business Insurance**, to protect their business in case something happens to the building, staff or equipment, or in case someone sues them.



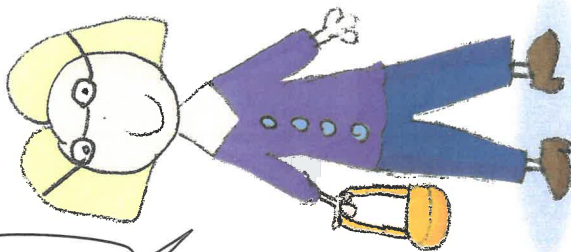
These are a few popular types of Insurance which Insurance Companies offer. But there are more!

And if LOTS of people need a new type of Insurance, an Insurance Company will invent one!



## How an Insurance Company Makes a Profit

To make a profit, an Insurance Company needs LOTS of different customers!



All customers pay their premiums into a pool.  
Some customers make claims from the pool.

The more customers an Insurance Company has...

...the bigger the pool!

And whenever a customer makes a claim...

...it is paid from the pool!

If all the premiums add up to more than all the claims, there will be money left over in the pool.

The left over money is the Insurance Company's profit!

An Insurance Company also invests the money which is in the pool, and that investment income is added to the pool.



## Here's How it Works:

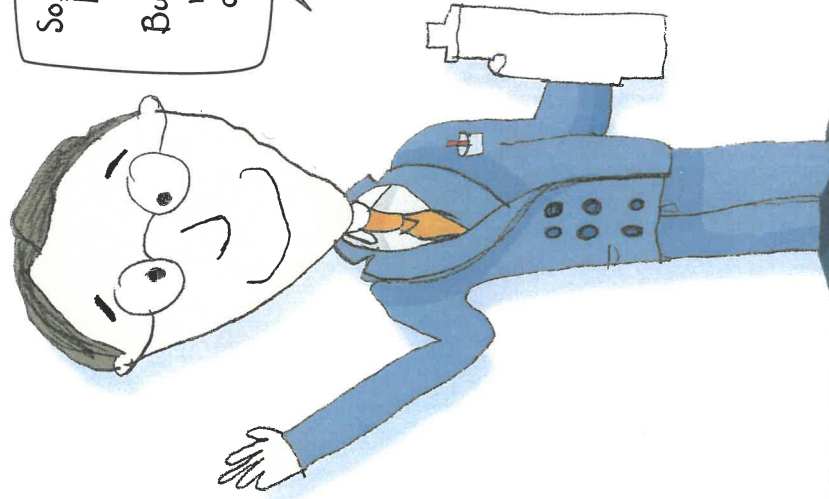
Let's say, an Insurance Company has 15,000 customers.  
Every customer pays a premium of £2,000  
each year for their Insurance.

$15,000 \text{ customers} \times £2,000 = £30,000,000$   
(Yes, that's £30 million.)

The Insurance Company has a pool of  
£30 million to pay claims.

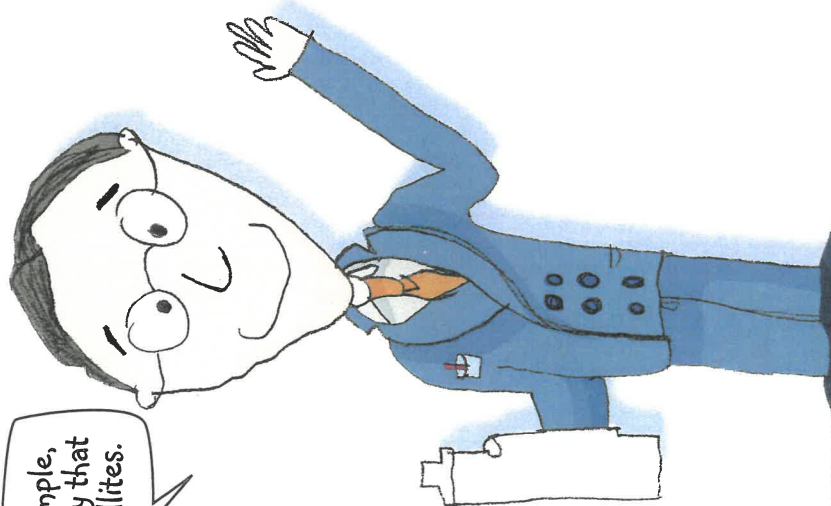
If 2,000 customers make a claim of £10,000 each:  
that's  $2,000 \times £10,000 = £20,000,000$

So that's £30 million (in the pool)  
minus £20 million in claims  
minus operating costs (£5 million)  
= A profit of £5 million.

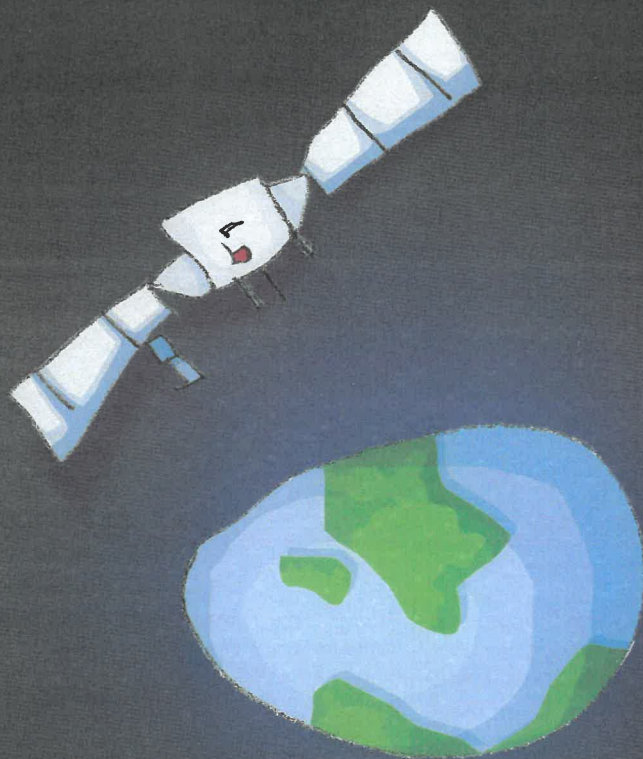


So, that's how popular  
Insurance works!  
But what if you had a  
really unusual or  
complicated risk?

Let's say, for example,  
you own a company that  
makes space satellites.



Where in the world would you find insurance to  
protect against the risks to your space satellite?

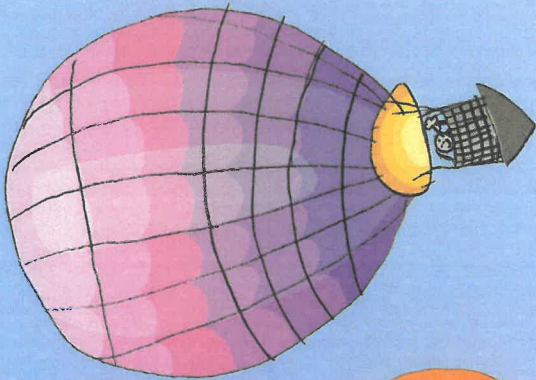
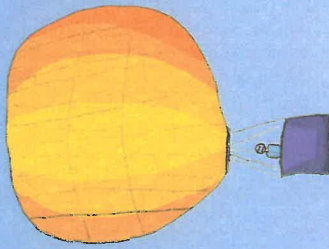




Or what if your company wants to protect its large  
cargo ships... or a fleet of airplanes?

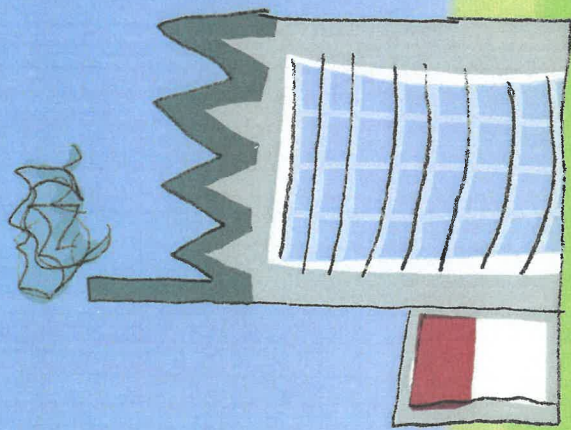


What if you're an explorer?  
Where would you find  
Insurance for your global  
balloon expedition?

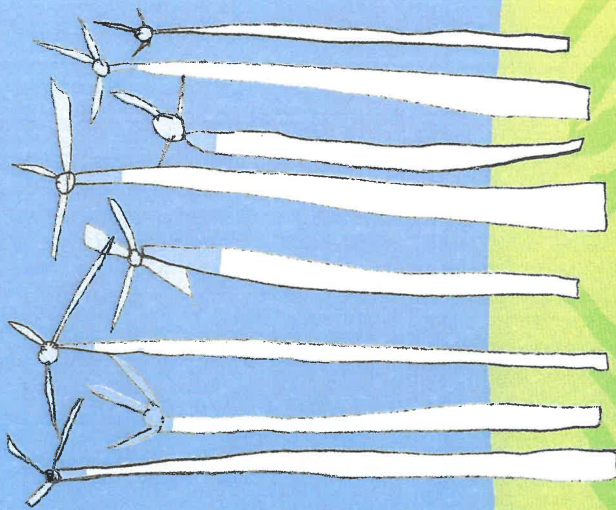




Or maybe you're the boss of a huge company,  
and you want to insure your company against  
the unusual risks at your factory.



Or you're the boss of an energy company that wants  
to purchase Insurance for its windfarm.





Or what if you were a star footballer, and you wanted to protect your legs from the risk of injury?

If I can't play, I won't get paid.  
I need Insurance to pay my wages if I get hurt.



You'd need a special Insurance Market full of experts who understand complicated and unusual risks.

You'd need...  
Lloyd's of  
London!

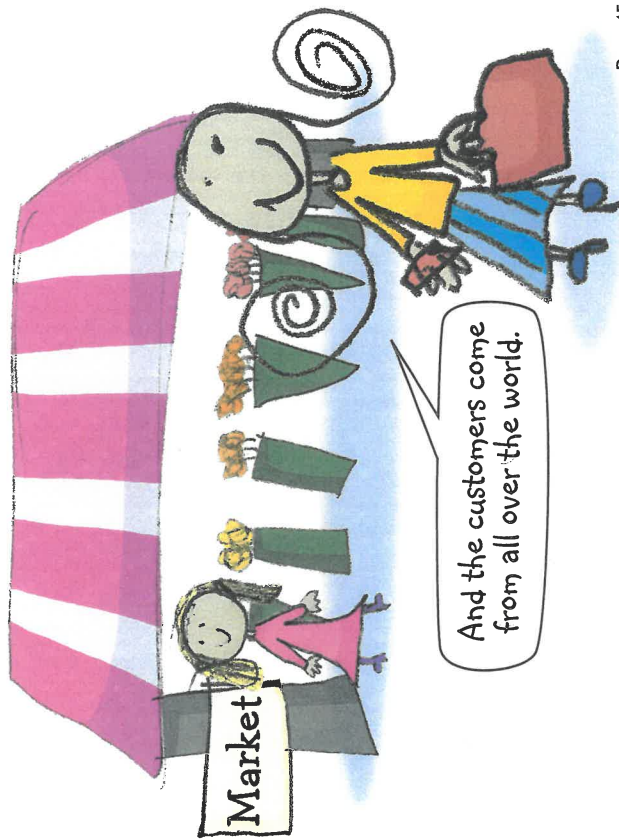


## PART TWO: LLOYD'S OF LONDON



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Lloyd's of London is NOT an Insurance Company.  
It's a market, where Insurance Companies arrange  
Insurance for customers with unusual or complicated risks.



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## The History of Lloyd's of London

Lloyd's started in the 17th century in a coffee house near the River Thames.



Back then, there was a new craze in London: COFFEE!

Rich **merchants** would sit in coffee houses all day, drinking coffee and conducting their business.



Ship owners would go to Edward Lloyd's Coffee House to arrange Insurance for their ships and cargo.

I have a ship worth £100.  
I need to insure it against  
storms and pirates. I'll pay  
you £20 for Insurance.

If you write down the details  
of your risk on this slip of  
paper, I will think about it.



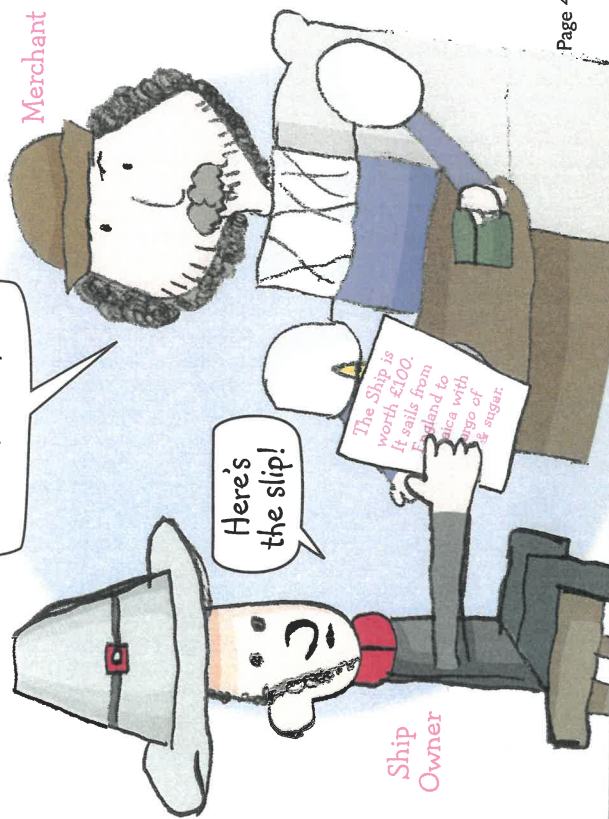
Merchant

Ship  
Owner

If he decided to accept the risk, the merchant would WRITE his name on the slip, UNDER the details.

That's where the  
word 'Underwriter'  
came from!

Here's  
the slip!

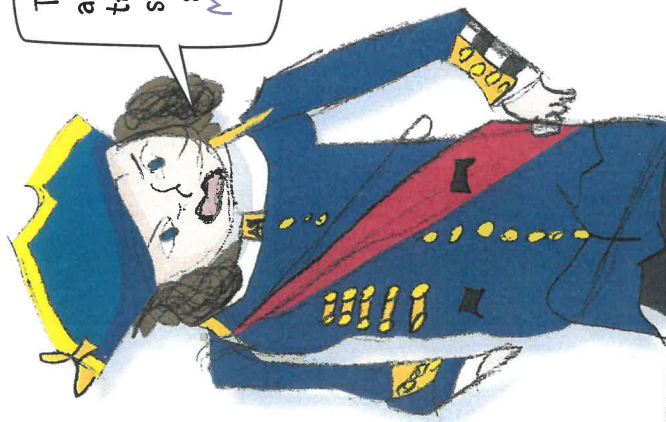


Merchant

Ship  
Owner



The merchants called their activities 'underwriting'. Every year, more and more ship owners came to Lloyd's Coffee House to arrange their Insurance.



The underwriting activities outgrew the coffee house, so the merchants set up a special Marine Insurance market.

They called it "Lloyd's" after the landlord of the coffee house where it began. The market grew and grew. Eventually, all sorts of risks were underwritten there!



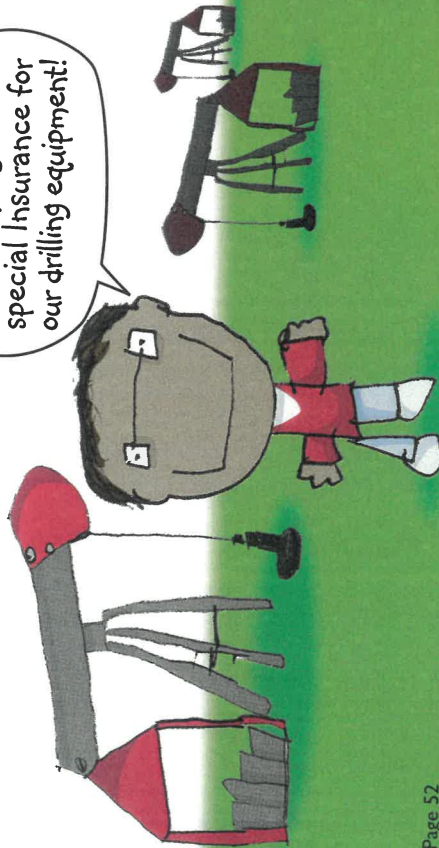
As Lloyd's grew and changed, special roles were developed to support the activities in the Insurance Market.

## How Lloyd's of London Works Today

We're going to tell you about each role, but first, let us present the most important role of all:

Policyholder (the customer!)

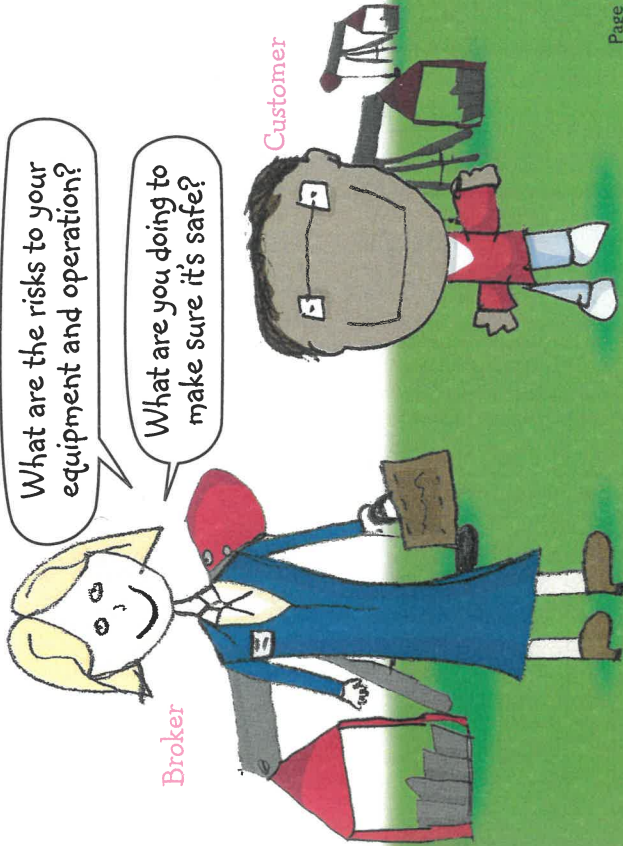
My company needs special insurance for our drilling equipment!



He discusses his company's risk with a Broker.  
The Broker asks A LOT of questions.  
She needs to understand the risk.

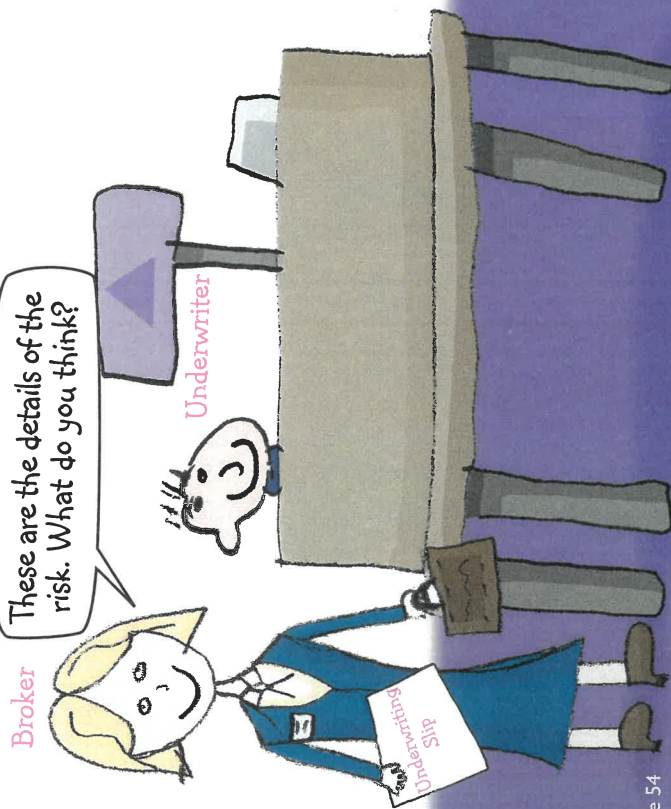
What are the risks to your equipment and operation?

What are you doing to make sure it's safe?

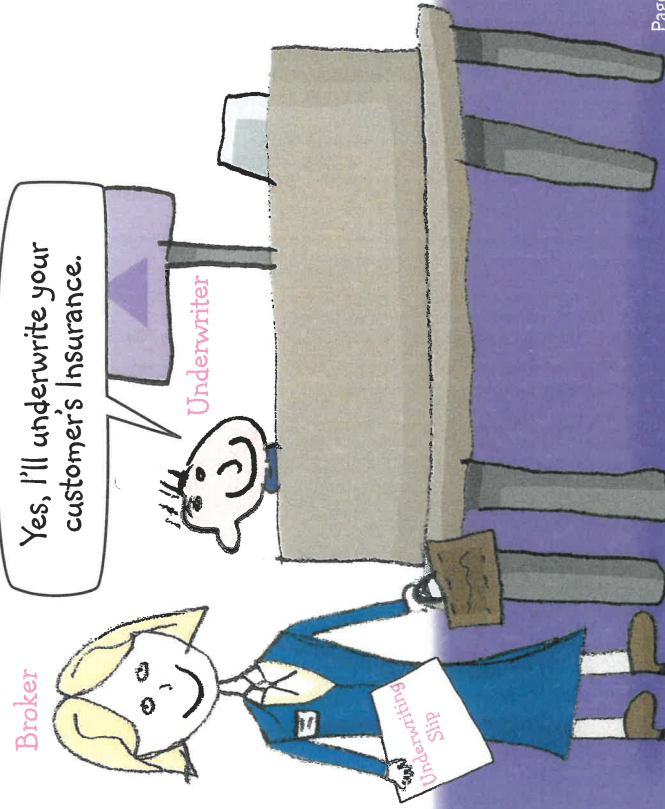




The Broker writes up the risk on an underwriting slip and discusses it with an Underwriter at Lloyd's.



If the Underwriter decides to accept the risk, he signs the underwriting slip and asks for a premium.



The first Underwriter may accept only part of the risk. So the Broker discusses it with another Underwriter... and then another... until all of the risk has been accepted.



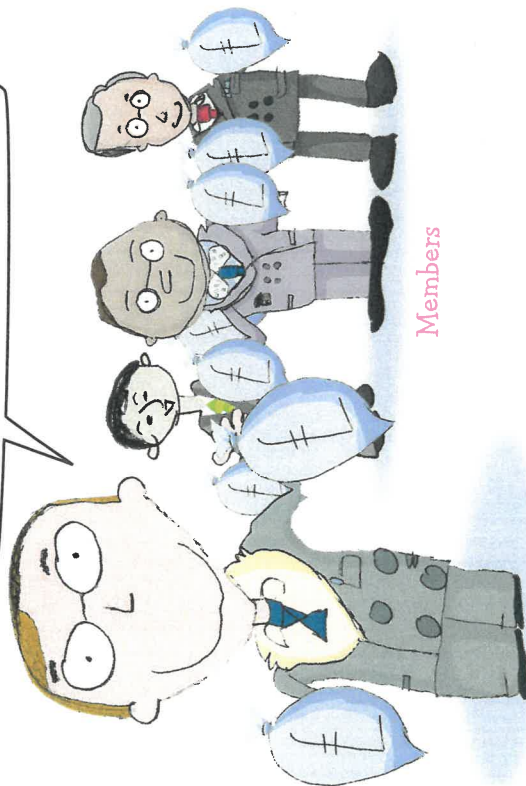
Underwriters specialise in a Class of Insurance, such as Property Insurance, Marine Insurance, Energy Insurance, and even Reinsurance.





When an Underwriter accepts the risk, he accepts it on behalf of a group of **Members** called a '**Syndicate**'.

When the Syndicate makes a profit, its **Members** earn money!



A **Member** can either be an individual (called a '**Name**') or a whole company (called a '**Corporate Member**').

When a Policyholder makes a claim, it is paid from the Syndicate's premium pool. And if there's not enough money in the pool, the **Members** of the Syndicate pay the claim!

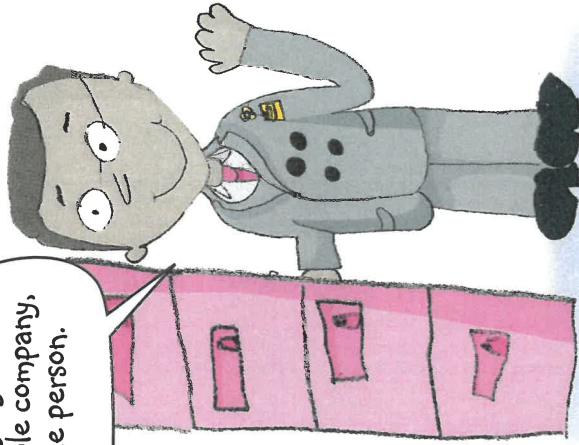
**Members**



If a **Member** can't pay, then Lloyd's can use its **Central Fund** to pay the claim.

Who organises the Syndicates and looks after the Underwriters? That's the role of a **Managing Agent**.

A Managing Agent is usually a whole company, not just one person.



Managing Agent

## Managing Agents are very busy!

They employ the Underwriters and organise their underwriting activities.

They try to make sure the Underwriters charge enough premium for the risk, or else the Syndicate will run out of money!

They employ people who handle claims made by their Policyholders.

And they employ people who keep track of all the premiums and payments.

Managing Agents charge the Members of their Syndicate a management fee, and they also get part of the Syndicate's profit.



Of course, the Corporation of Lloyd's has an important role: To support & promote the Insurance Market!

In some ways, our role is similar to Edward Lloyd's!

We provide the space and facilities for the market.

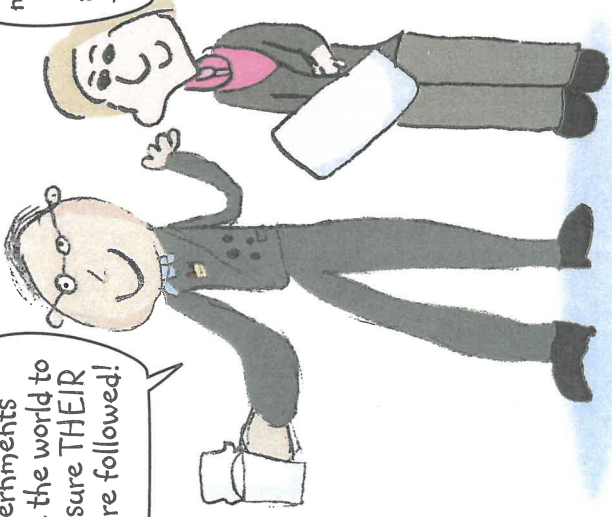


Staff of the Corporation of Lloyd's

Lloyd's staff members help set the rules for the market, and they make sure the Syndicates follow them.

We check with governments around the world to make sure THEIR laws are followed!

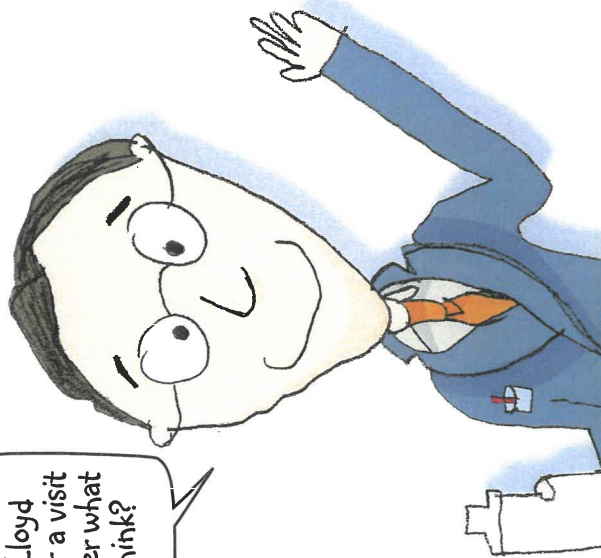
We also make reports about the activities in the market.



Staff of the Corporation of Lloyd's

The world has changed a lot since Edward Lloyd's day, and so have the risks! The people who work in the Insurance Market at Lloyd's are always looking for creative ways to respond to new risks!

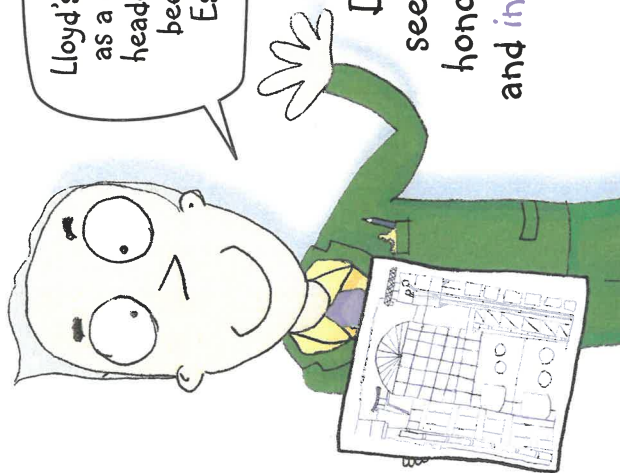
If Edward Lloyd came back for a visit today, I wonder what he would think?



## A Visit to the Lloyd's Building

Lord Richard Rogers designed the Lloyd's Building. Here's what he says about it:

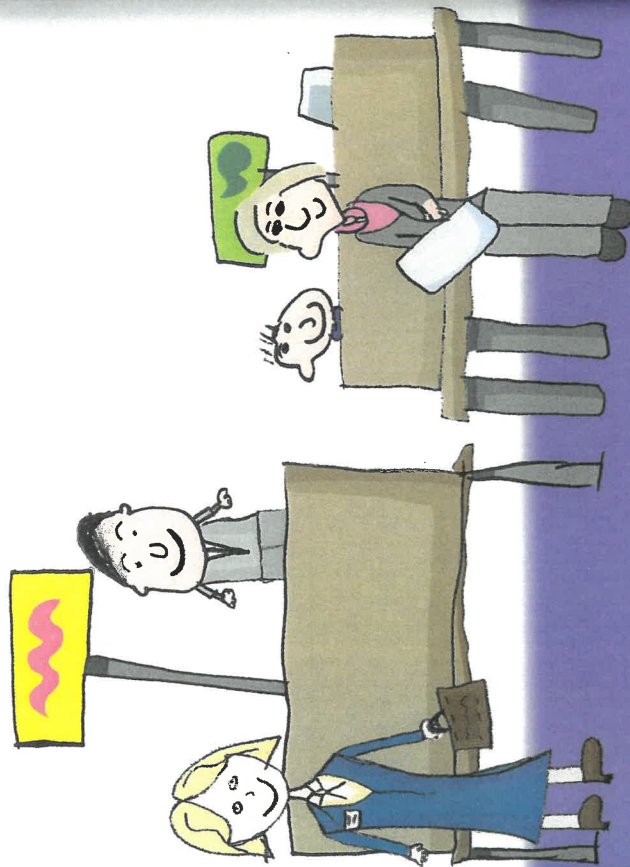
Lloyd's began 300 years ago as a coffee shop; now, its headquarters building has been nicknamed 'The Espresso Machine'!



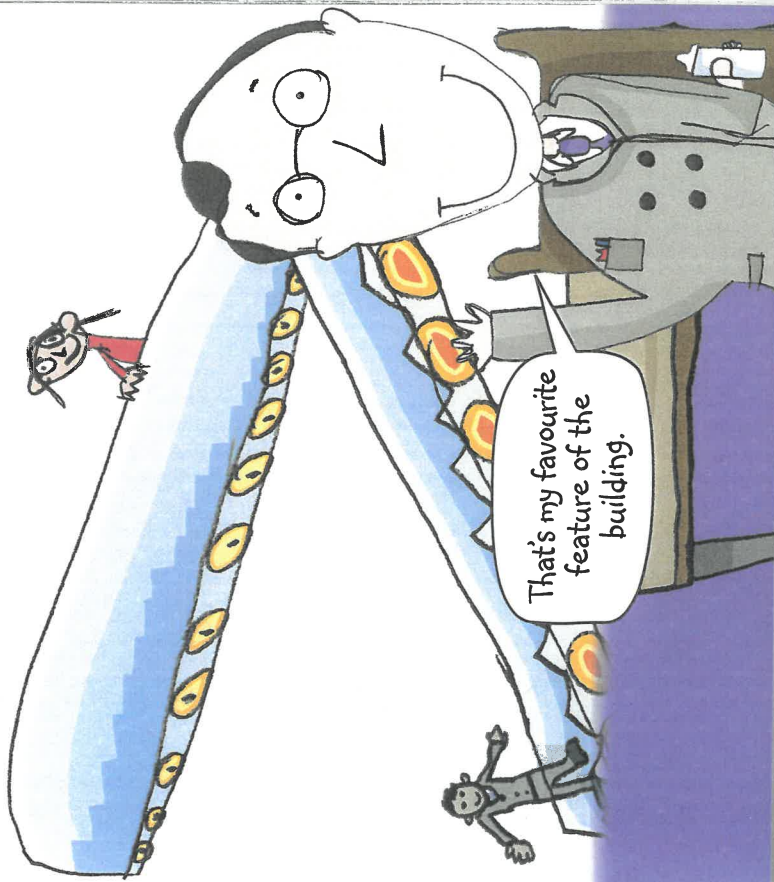
During your visit, you'll see many things which honour both the history and *innovation* of Lloyd's.



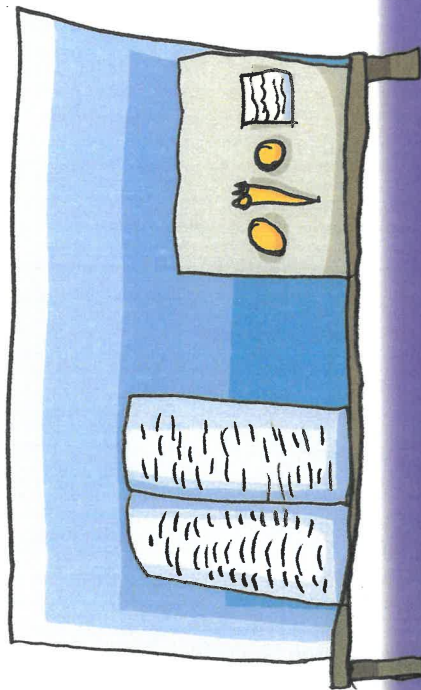
When you visit the Lloyd's Building, you'll see the Underwriting Room where Brokers meet with Underwriters.



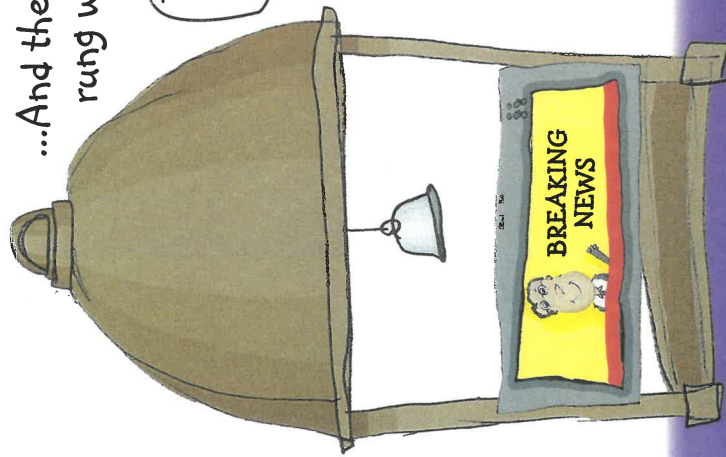
There are glass escalators which connect the floors.



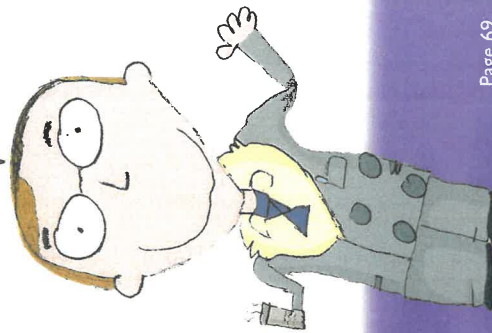
In the Underwriting Room, you can see a maritime history exhibit, including Admiral Lord Nelson's special fork. You'll also see the 'loss book' which lists ships lost at sea...



...And the Lutine Bell, which is rung when there's big news.

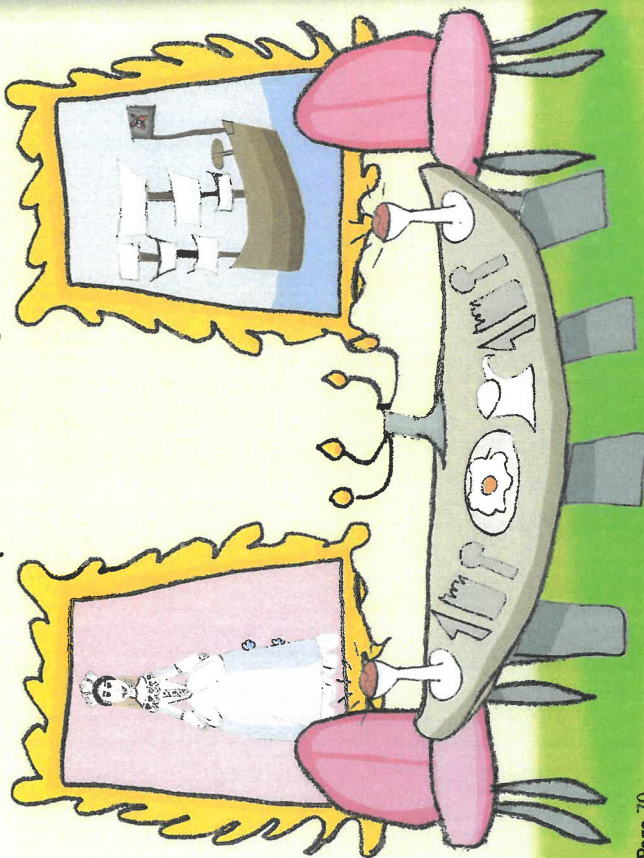


There are lots of televisions. The Underwriters need to know what's happening!





Take the glass lift to the 11th floor, and you'll find the Adam Room. It's a room from the 18th century! It is used for special meetings and dinners.



The Lloyd's Building also includes office space and meeting rooms and the usual things you'd expect.



# Insurance Words

## Bicycle Insurance

popular Insurance which protects you against the loss of your bicycle

## Business Insurance

popular Insurance which protects you against losses to your business

## Broker

a 'middle man' between the customer and the Insurance Company

## Car Insurance

popular Insurance which protects you against the loss of your car

## Central Fund

a pool of money at Lloyd's that can be used to pay claims to protect Policyholders

## Claim

request which a Policyholder makes to their Insurance Company after a loss

## Claims Adjustor

an agent who verifies insurance claims

## Class

a specialty area of underwriting

## Collision

a crash or accident

## Compensation

a payment given for a service or to make things right

## Contract

a legal agreement

## Corporate Member

a company which is a Member at Lloyd's of London

## Corporation of Lloyd's

the official name of the organisation which is called "Lloyd's of London"

## Coverage

details of the losses your Insurance protects and at which financial value

## Damage

when something is made worse

## Energy Insurance

a class of Insurance underwritten at Lloyd's for energy company risks

## Exceptions

the things which are NOT covered by an Insurance policy

## Excess

an amount the customer pays towards the loss; also known as a 'deductible'

## Experts

people who have special knowledge or experience in a given field

## Expiration

the date your Insurance policy finishes

## Health Insurance

popular Insurance which protects you against loss in case of poor health

## Home Insurance

popular Insurance which protects you against the loss of your home or the things inside it

## Innovation

thinking up ideas for better ways to do things

## Insurable

an adjective describing something that can be insured; things which have only sentimental value cannot be insured

## Insurance

a form of protection against loss

## Insurance Market

a place where Insurance Companies sell Insurance

## Insurance Policy

complete details of your Insurance

## Invests

to make an investment; an investment is the use of money in the hope that it will make more money

## Loss

when something happens which leaves you worse off than you were before

## Lloyd's of London

a unique Insurance Market where Underwriters create Insurance Policies for unusual or complicated risks



### Managing Agent

the company who employs the Underwriters and takes care of the Syndicates at Lloyd's of London

### Marine Insurance

a class of Insurance underwritten at Lloyd's for risks associated with ships and other sea-going vessels

### Member

the person or company who pays claims if there isn't enough money in the Syndicate's premium pool

### Merchants

those who buy and sell goods and services in order to make a profit

### Name

a person who is a Member at Lloyd's of London

### Pet Insurance

popular Insurance which protects you against loss in case your pet needs medical treatment

### Policyholder

the person or company that buys an Insurance policy; the customer!

### Pool

a large amount of money

### Possible

an adjective which describes a future event which may or may not happen

### Premium

the amount of money the customer pays for an Insurance policy

### Profit

the amount of money a company makes, minus the amount of money it spends

### Property Insurance

a class of Insurance underwritten at Lloyd's for risks associated with buildings

### Reinsurance

a class of Insurance underwritten at Lloyd's for risks associated with Insurance

### Risk

possibility that something bad might happen

### Statistics

information which helps an Insurance Company to decide how likely a loss is for a policyholder

### Syndicate

A group of Members at Lloyd's of London which are looked after by Managing Agents

### Term

the period of time during which your Insurance is valid

### Thatched

a roof made from dried straw, water reed, sedge, rushes and heather

### Theft

the act of stealing something that doesn't belong to you

### Travel Insurance

popular Insurance which protects you against loss during your holiday

### Underwriter

an expert who considers an unusual risk and decides whether or not to accept it

### Underwriting

accepting a risk by writing your name at the bottom of the Underwriting Slip

### Underwriting Room

a special room in the Lloyd's Building where Brokers meet with Underwriters

### Underwriting Slip

the details of the unusual or complicated risk; also called the 'slip'

### Unique

one-of-a-kind

## Further Resources:

To learn more about Insurance and Lloyd's of London, try these websites:

Association of British Insurers

[www.abi.org.uk](http://www.abi.org.uk)

Lloyd's of London

[www.lloyds.com](http://www.lloyds.com)

For information about 'How the World REALLY Works' and other projects visit:

[www.guyfox.org.uk](http://www.guyfox.org.uk)

## About the Project

**How the World Really Works INSURANCE AT LLOYD'S OF LONDON** was developed in a collaboration among volunteers from the Lloyd's market, the Guy Fox team and students from Christchurch Primary School, Brick Lane, London. Students explored the world of Insurance and Lloyd's of London and created the illustrations for this guide.

**Illustrators:** Abdal, Adnan, Dawit, Farhana, Khadeja, Momota, Nadia, Nathan, Nika, Ridwan, Sabina, Samme, Shabana, Shazia, Tanya, Tanzim and William

**With Thanks to:** Angela Dunlop, Martin Leach, Helen Ashenden, Karen Fairhurst, Alex Sarafoglou, Ameer Shah, Christalla Andrews, Joyce Royle, Sandy Yates, Shahnara Begum, Reg Brown, Kiran Bhovan, George Doughty, Philip Godwin, William Armitage, Kirat Nandra, Olga Rakhmanina, Uli Farnes, Brendan Monaghan, Barry Maher, Päivi Autio, Pam Goodman, Shanan Wong-A-Fa, Rebecca Blinkhorn, Lyndsey Payne, Andy Sparrow, Kim Swan, Vicky Mirfin, Natalie Tickle, Nick Furlonge, Helena Yeaman, Sam James, Stuart Wilson, Carol Rider, Julian James, Alan Brown, Lord Richard Rogers, Jenny Stephens & Jack Kent

**Guy Fox Staff & Volunteers:** Marilyn & Paul Kinnon, Louise Taplin, Emma Rowley, Simon J. Harper, Sanjeev Rana, Saroj Patel, Mark Green, Scott Unwin and Kourthey Harper



## The How the World Really Works series includes:

**Investment Banking**  
**Insurance at Lloyd's of London**  
**Commercial Law** (expected in 2011)

For more information about this series and our other titles, please contact:

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## Lloyd's Community Programme

Launched by His Royal Highness The Prince of Wales in 1989, Lloyd's Community Programme celebrated its 20th anniversary in 2009.

Lloyd's Community Programme volunteers help to build a stronger local community by getting involved in projects in East London. Last year over 1200 people working in the Lloyd's Market shared their skills and enthusiasm in this way.

Barbican is proud to be a member and active supporter of Lloyd's Community Programme. We take seriously our commitment to the local community and the LCP provides an ideal opportunity for us to make a worthwhile contribution.

## The How the

## Investment Insurance Company

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